

## A Real Recovery Plan: Start With Small Business

Loans for Jobs: hire more workers, get more credit.

America's small and medium businesses are in trouble. Many have been forced to lay off employees, while others stopped hiring early last year as we began to sense a slowdown. Most small and medium businesses (SMBs) employ fewer people today than a year ago. The reality is that many of the 20 million small and medium businesses might not make it another 90 days.

My company, PrintingForLess.com, and many of our SMB customers face a convergence of factors that most of us have never seen before which may drive many of us out of business, resulting in millions more jobs lost. SMBs don't have powerful lobbies or friends in the media, and their dire plight has garnered virtually no political or media attention.

Why do SMBs matter? They have provided most of the innovation and 80% of the new jobs over the last decade or more. Right now, big auto companies that have incurred steady job losses for decades are being bailed out. Meanwhile, the nation's uniquely powerful SMB job-creation engine is at risk of collapsing, with no help in sight. The current stimulus plan outline provides no meaningful help for America's SMBs, putting half of the nation's jobs at severe risk.

I have a proposal that would quickly and effectively channel the money that is piling up in ultra-safe Treasury bills into productive job-creating investment in the real economy. And unlike most of the stimulus proposals, this would be far more effective than pushing on a string.

The bailout to the big banks has not resulted in any available credit to SMBs. That's right. **None.** The unwritten story is that, for the first time in at least 15 years, small businesses are being totally choked off from access to capital. Lower taxes would be nice, and are critical for long term growth, but many small businesses will not only have no profits in 2008 and 2009, but they will also simply run out of the cash they need to keep their enterprises going. For that reason, a tax break is of no immediate help.

Millions of jobs may be lost. Small and medium businesses employ half of all U.S. workers. Angel and venture capital investors are sitting on the sidelines. Banks have almost completely frozen their lending. Lines of credit are being suspended, and new loans to small businesses, especially for working capital needs, are simply not being made. At the same time, our revenues are down suddenly due to the overall gloomy environment, and our customers are slower to pay. The consequence is a cash-crunch that I have not experienced in my 19 years running small businesses in Montana.

Elected representatives have an opportunity to break from the current bailout rush and support a bold plan that would actually work. It would cost the government little or nothing. It is not a bailout; it is a quick restoration of credit availability to SMBs, one keyed to job retention and creation. I'm betting this plan could also garner broad bipartisan support, since everyone in Washington represents thousands of small businesses.

I propose a simple solution that would save jobs in America's small businesses, and cost the U.S. government nothing in the long run. Here is the essence of the plan:

We can preserve and increase small business jobs by letting them be used as the security for low-interest loans. Make available to small businesses \$20,000 in unsecured loans for each full-time employee. The logic is simple. The government is borrowing 10-year money at about 2.5%, so this

plan makes it available to SMBs at 5%, with interest-only payments for the first five years and an expectation of complete repayment over the next five years.

Administer these loans through the Small Business Administration's (SBA) direct lending capability with a one-page application form and a same-day closing. These are capabilities that the SBA already has. All that is required is that the employer has a valid Employer ID Number and that it produces the most recent federal withholding tax remittance form filed at each payroll to document fulltime employee count. If you want to speed the recovery further by increasing the lending capability, allow banks to administer these loans as well, for a small processing fee.

The key difference between this plan and normal bank lending is the amount of credit available to SMBs. Presently, if credit is available at all, it is only when it is collateralized by hard assets: plant, equipment, inventory, receivables, etc. This proposed plan treats jobs provided by a business as assets against which the employer can borrow.

The proposed plan would immediately halt the loss of jobs in the SMB sector and keep alive many businesses who suffering from the sudden drop in revenues--many SMBs are down 25% from a year ago--combined with slower-paying receivables and reduced access to bank credit.

If a small business reduces its headcount, a pro-rata portion of its loan must be repaid immediately. If the business expands its headcount, it would gain access to another \$20,000 of credit for each net new employee. This provides a powerful incentive to keep and grow the small business workforce. Remember, most SMBs aren't carrying much fat. They are just strapped for cash due to the triple-threat of suddenly low revenues, sharply reduced credit availability and slower-paying customers.

With political will, the plan could come to fruition quickly. Small businesses don't want a handout. We just want reasonable access to credit so that we can innovate, employ and grow. If something isn't done quickly, millions of people will be thrown out of work because small businesses caught in the fallout of mismanagement on Wall Street and regulatory failure will close their doors.

And if elected representatives really want to appeal to Americans' inherent sense of fairness, they should make this program available to businesses of any size.

A five-employee retailer in San Mateo, California would gain access to \$100,000 of credit on decent terms, which is an amazing lifeline for a small business. A 160-person company like PrintingForLess.com would get access to \$3.2 million of fresh working capital. I guarantee this would preserve our 160 jobs in Livingston, Montana, as well as the many additional jobs and tax revenues that depend on us.

Many companies will take little or no advantage of this program. However, just knowing that this resource is available to SMBs will build confidence and regain an optimistic outlook.

Considering that the current stimulus package, if it works as advertised, will cost the government over \$200,000 for every job saved or created, this proposal is a bargain--and far more likely to succeed. With about 120,000 U.S. employees, Ford would have access to \$2.4 billion under this program. AIG has received more than \$1 million in funds per employee; \$20,000 in loans per SMB employee seems more than reasonable.

The government would borrow at 2.5% and lend at 5% to provide SMBs access to the credit they need to get through this crunch. Who could oppose this? Small businesses and their employees buy most of the goods (including many of the vehicles) made by U.S. companies and pay about half the

taxes. Even if this program had a moderate default rate, the jobs saved would cause it to be revenue-neutral or better for the federal budget. SBA lending programs have a historic default rate of under 2%, including the direct lending program. If this program had a whopping 33% default rate, the cost per job would still be under \$4,000. Compare that to the over \$200k per job for the proposed stimulus plan. Now that is change we can believe in!

Barack Obama said during his inaugural train tour that what gives him "the greatest hope of all is not the stone and marble that surrounds us, but what fills the spaces in between. It is you -- Americans of every race and region and station who came here because you believe in what this country can be and because you want to help us get there."

This is the very point of my plan. Most bank lending and stimulus spending values only the stone and marble, but this proposal recognizes and rewards those working Americans who "fill the spaces in between."

*Andrew Field is Founder and President of PrintingForLess.com in Livingston, Montana. A version of this piece was sent as a proposal to Montana Sen. Max Baucus.*